



INVESTMENT TEASER

Hotel investment opportunity

Island Hvar, Croatia



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Introduction to Croatian tourism



Joining the monetary union is expected in 2022

The Republic of Croatia is a state in southern Europe and, since 1 July 2013, the 28th member of the European Union. Croatia is bordered by Hungary to the north, Serbia to the northeast, Bosnia and Herzegovina to the east, Montenegro to the south and Slovenia to the northwest. In front of the 1,800-kilometer-long Croatian Adriatic coast are numerous smaller islands that attract many tourists every year. Of the roughly 1,200 Croatian islands, only 47 are inhabited.

While a continental climate prevails in north-eastern Croatia, the Adriatic coast is characterized by a Mediterranean climate. The numerous predominantly rocky or pebble beaches of the Croatian Adriatic coast are attracting more and more bathers year by year with their crystal-clear water.

After World War II Croatia became one of the six republics of the Federal People's Republic of Yugoslavia. After 93.2% of Croats had voted in favor of independence in a referendum on 19 May 1991, the Yugoslavian efforts to prevent as many parts of Croatia from splitting as possible led to the outbreak of the four-year-long Croatia war.

The economic consequences of the war have long been devastating for the country, not least because of the high cost of reconstruction.

Since the end of the Yugoslav civil war, the Croatian tourism industry has experienced a huge increase. The tourist infrastructure is well spread on the Dalmatian coast. For decades, this dramatic coastline with its warm waters and azure sea has been an attraction. Croatia is considered one of the most popular holiday destinations in the European Union due to its long coastline, numerous islands and beaches and its Mediterranean flair.



Coast Dubrovnik

Tourism as an important pillar

With about 10 million annually, twice as many tourists come to Croatia, as the country has residents. The income from tourism contributes about one fifth of the Croatian gross domestic product annually.

Croatia is considered one of the most popular tourist destinations in the world and was awarded „Destination of the Year“ in 2005 by the renowned publishing house „Lonely Planet“. In the meantime, Croatia has established itself among many holidaymakers as a serious alternative to classic holiday destinations such as Italy, Mallorca or the Costa Brava. In addition to the Adriatic coast, there are many natural treasures to discover within the country, such as the Plitvice Lakes National Park or the Biokovo Nature Park.

Ranko Viločić, Ambassador of the Republic of Croatia in Germany

„Tourism has a 170 year old tradition in Croatia. {...} Most tourists come to the coast in the summer and enjoy sun, beach and sea. Croatia also boasts a rich cultural heritage, mountains and national parks. Tourists can visit prehistoric places, ancient and medieval towns and enjoy the varied nature and gastronomy.“

The most popular tourist destination in Croatia is the peninsula of Istria in the west of the country.

In addition to numerous remains from Roman times, here is the Euphrasian Basilica of Porec a major tourist magnet. Another popular tourist destination in the country is Dalmatia, mainly because of its many tourist destinations such as Split, Zadar, Trogir or Dubrovnik.

The region around Kvarner Bay is very popular with sailors. Rijeka, the largest city in the region, serves many of you as a starting point for sailing trips in the northern Adriatic Sea. In addition, the islands of Rab, Krk, Losinj and Cres are among the most popular destinations in the region around the Kvarner Bay.



Dubrovnik

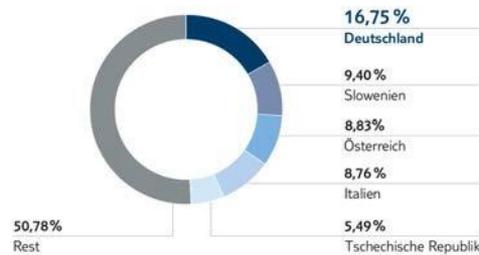


Split

Recession after 2009, recovery already well advanced

The effects of the financial crisis of 2008/9 did not stop at Croatia. They plunged the country into a six-year recession. It was only in 2015 that gross domestic product (GDP) grew again. Croatia's economy was able to count towards a continuously growing tourism sector during this difficult period: the number of overnight stays in Croatia rose by more than 30 percent during this period. In 2015, 12.7 million tourists visited the country, which is three tourists per inhabitant. Among them were over two million holidaymakers from Germany - an increase of 6.8 percent.

Herkunftsländer der Kroatientouristen 2015



Quelle: Staatsamt für Statistik der Republik Kroatien

This growth is essential for the country and its inhabitants. The travel industry alone generates around 18 percent of GDP. Tourism is a job engine: 130,000 or 10 percent of all Croatian jobs have been created directly in the tourism sector.

Tourism as a support for the economy

Taking into account the positive effects on other areas such as agriculture, tourism creates a livelihood for 300 000 people - and thus every fourth job. The forecasts are favorable thanks to further investments. Around 800 million euros will flow into the tourism sector in 2017.

Tourist arrivals 1980 - 2015 (in 000)

	TOTAL	DOMESTIC	FOREIGN
1980	7,929	3,922	4,007
1985	10,125	4,569	5,556
1990	8,497	3,477	5,020
1995	2,438	1,113	1,324
2000	7,136	1,305	5,831
2005	9,995	1,528	8,467
2010	10,604	1,493	9,111
2015	14,343	1,660	12,683

The increasing interest of tourists in the beauty of Croatia has not escaped the travel providers. For example, TUI plans to further expand its involvement in Croatia. TUI Airlines already offers 44 flights a week to the popular tourism regions. TUI Cruises also plans to further expand the Croatia program of the „Mein Schiff“ fleet in 2018. Currently, the travel group has more than 62,000 holiday homes and around 450 hotels in Croatia.



Press conference from January 2018

At a recent press conference in Zagreb, Tourism Minister Gari Cappelli said that 18.5 million tourists visited Croatia in 2017. This is the highest number in one year in the history of the country.

In 2017, visitor numbers were 13% higher than in 2016 and overnight stays increased 12% from the previous year, reaching 102 million. In 2017 most of the tourists visited the regions of Istria which had 28 million overnight stays, followed by Split-Dalmatia with 19 million and Kvarner with 18.6 million overnight stays.

Zadar recorded an overnight stay of 13.7 million and was followed by Dubrovnik-Neretva with 8.5 million overnight stays, as well as Šibenik-Knin with 7.1 million, Lika-Senj with 3.2 million and Zagreb with 2.3 million nights.

Most overnight stays in 2017 were Germans with 20.7 million, followed by Slovenes with 10.1 million, Austrians with 7.6 million, Poland with 6.3 million and Czechs with 5.4 million.

Looking at the non-European countries, there were 1.4 million overnight stays by Americans, 667,000 by Australians, 533,000 by South Koreans, 415,000 by Canadians and 237,000 by Chinese.

In terms of bed distribution, hotels and apartment hotels are in third place with 132,576 and 11% of the total number of beds. The front runners are the private apartments and campsites with over 80%.

On the part of the hotel classes, the majority of hotels and resorts are in the mid to upper standard or comfort segment. The deluxe segment (5-star and up) has less than 6% of available beds. The market still has a significant supply gap, especially since Croatia is increasingly coming into the eyes of the upper income groups.

Business units by hotels categories (as of August 31)					
	2016	2017	2016 in %	2017 in %	INDEX 2017/16
Hotes total	691	700	100	100	101.3
*****	38	39	5	6	102.6
****	271	290	39	41	107.0
***	311	306	45	44	98.4
**	71	65	10	9	91.5

Number of beds (as of August 31)					
	2016	2017	2016 in %	2017 in %	INDEX 2017/16
Hotels total	135,236	131,152	100	100	97.0
*****	12,051	12,722	9	10	105.6
****	59,905	61,415	44	47	102.5
***	48,117	43,550	36	33	90.5
**	15,163	13,465	11	10	88.8

On average, five nights per guest



Introduction to Island Hvar



Island Hvar, pearl of the Adriatic

The Adriatic island of Hvar is located in the south of Croatia, just off the Dalmatian coast and belongs to the Split-Dalmatia County. With an area of around 297 km², it is the fourth largest island in Croatia and the second largest in Dalmatia. According to surveys, Hvar is one of the ten most beautiful islands in the world. Recognized magazine Forbes names the swanky island in the same breath as the Bahamas, Hawaii and the Maldives

The island of Hvar and the Pakleniki otoci archipelago in front of it offer guests a secluded coastline, clean and beautiful beaches and a pleasant Mediterranean climate, which holidaymakers in particular appreciate with their own boat.

For active and bathing tourists, the island offers numerous bays and countless hiking trails that cross the island of Hvar and also over the island of Sv. Klement, which belongs to the Paklinski otoci.

The average hours of sunshine a year on Hvar is 2,726 hours - that's the most sunshine hours for an island in Europe. This also affects the water temperature. Between June and October the water temperature is at a pleasant 20 ° C. Mostly the summer wind Maestral blows, which is ideal for sailors and windsurfers.



In summer, the island is very popular with seaside holiday makers and in the winter months with spa guests, who visit the island because of the mild climate. This is ideal for hotels and resorts with year round opening hours.



Island Hvar



General Information of the
Investment Opportunity

Why Invest?

The hotel will be one of the 40 deluxe hotels in the 5-star + segment and will offer the wealthy guests of the upper income groups the opportunity for recreation and regeneration. The complex includes both spa and wellness areas as well as extensive recreation areas on the hotel's roof, as well as around the hotel complex. The hotel has the potential to be the ultimate getaway for families, couples and their friends.



The illustrated one-time investment option involves the construction and development of a luxury hotel in an emerging tourism area.

The hotel is being built on the island of Hvar in the Dalmatian region. It should contain 705 rooms and provide space for at least 1,400 beds. The associated property comprises 18,299 m². In addition, the hotel should include restaurants, bars / lobbies, various terraces, spa and spa areas, a rooftop pool, two helicopter landing pads and much more.

Regarding the equipment it should meet the requirements in the deluxe and luxury segment.



Main features

- Year-round opening hours
- Exclusive equipment
- Extensive internal and external wellness and spa offers
- Luxurious clinic for medical tourism
- Guided by international hotel operators

Investment cost of the building

Total Investement (Hotel) thereof	136.241 TEUR	in %
Building Shell	44.888	33 %
Internal Finishes	41.094	30,3 %
Fittings, Furnishings & Equipment	34.891	25,3 %
Services (utilities, technical infrastructure)	6.543	4,9 %
External works	2.988	2,2 %
Other (preliminaries, overheads)	5.837	4.3 %

Total Investement (Land) thereof	8.769 TEUR	in %
Construction Land	7.209 TEUR	82%
non-Construction Land	1.560 TEUR	18%

TOTAL **145.010.243,00 EUR**

The investment costs include both the acquisition of the relevant property, as well as the construction of the hotel. On the part of the permits many preparatory work has already been done. The building permits are completed. Further approval processes, for example for the expansion of the property, have already been initiated.



**Estimated investment budget of
the hotel: EUR 145 million**

Financial indicators & spatial distribution according to room type

Room Type	# of	Area total: m ²	in %	AP/Room Type	Occupancy
Ap. Standard	217	6.102 m ²	15%	148EUR	58%
Ap. Comfort	297	12.205 m ²	30%	187 EUR	58%
Ap. Deluxe/Luxury	192	10.172 m ²	25%	218 EUR	58%
Divers (Conference room ,Klinik .)	n.a.	6.102 m ²	15%	n.a.	n.a.
Administration	n.a.	2.034 m ²	5 %	n.a.	n.a.
Gastronomy	n.a.	4.068 m ²	10%	n.a.	n.a.
Total		40.683 m²	100%		

Medium-Price Scenario

Medium-Price Scenario	172 EUR	58%
Revenues/Year	24.150.327 EUR	
EBITDA	2.237.461 EUR	

Summary for the manager / tenant

The calculation is based on an opening time of 330 days per year and a full utilization of 202 days per year. The average room rate, regardless of the workload, is 153 EUR. The actual average price of the room under assumption of utilization is 172 EUR. Depending on the season, room rates will change. This scenario represents the most predictable of all considered scenarios.

EXEMPLARY IMAGES



Summary for the manager / tenant

P&L - standard year	Medium
REVENUE	
Rooms & apartments	22.857.483,07
F&B additional	1.142.874,15
Other (rent / commision) - medical services, F&B etc.	150.000,00
Total revenue	24.150.357,23
COST	
Rent	12.000.000,00
Agency cost (Booking, Expedia, other channels)	2.742.897,97
Payroll - management, sales, technical services	216.000,00
Payroll - housekeeping, reception, F&B	2.600.000,00
Material cost (F&B)	1.803.848,25
Material cost - other	510.000,00
Utilities	430.000,00
Local communal tax	53.000,00
Marketing & PR	457.149,66
Maintenance	450.000,00
Services	650.000,00
Total cost	21.912.895,88
PROFIT BEFORE TAX	2.237.461,35
Profit tax (18%)	402.743,04
NET PROFIT	1.834.718,30

The hotel offers an ideal opportunity for an experienced hotel operator in a growing and tourism-oriented region. Croatia belongs to the European Economic Area and thus enables economic access to the European Union and to guests from the wealthiest countries in the world.

EXEMPLARY IMAGES

Summary for the owner

Equity IRR

Rent – 12 mil EUR / year

Sale price of the property – 120 mil EUR

(10Y | 15Y | **6,79 % ; 7,39 %**)



Disclaimer



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